Propositions

attached to the thesis

Essays on Economic Integration

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1 December 2006

I

The main determinant in the distribution of production across members of an integrated economy is not the *levels* of output and productive factors among the economies *per se*, but the *shares* of such output and productive factors among them. (Chapter 2)

II

An economy with a low share of human capital will also have a low share of physical capital, and also a low share of output. (Chapter 2)

III

The relative growth performance of members of an integrated economy is largely random, and hence strongly dependent on particular states of nature. Such randomness will be more true the greater the extent of economic integration among members, most exemplified by the integrated economy comprising U.S. states. Hence it is more likely to be true the more harmonized are education systems and fiscal codes, when members do not run independent monetary policies, and when industrial policies are quickly imitated across members. (Chapter 3)

IV

Capital markets integration plays no role in explaining intragenerational income inequality since, after opening up, labor incomes change in the same proportion. What matters for income inequality turns out to be the level of human capital: an economy that begins with lower levels of human capital, but perhaps not less equal, has a better chance to maintain more inequality in its future distribution of income. (Chapter 4)

V

The lower exchange rate correlations, which were found after the decision to proceed with the euro was taken in December 1996, is attributed to the more heterogeneous expectations in the market concerning the viability of the euro itself. (Chapter 5)

VI

To determine the short-run outcome of the exchange rate, one needs to know its long-run destination.

VII

An approximate answer to the right problem is worth a good deal more than an exact answer to an approximate problem.

VIII

Sciences do not try to explain, they hardly even try to interpret, they mainly make models. By a model it is meant a mathematical construct which, with the addition of certain verbal interpretations, describes observed phenomena. The justification of such a mathematical construct is solely and precisely what is expected to work.

IX

The purpose of models is not to fit the data but to sharpen the questions.

X

It might be possible to prove a certain theorem, but they might be of no interest since, in practice, it would be impossible to verify whether the assumptions are fulfilled.

XI

In the end, a theory is accepted not because it is confirmed by conventional empirical tests, but because researchers persuade one another that the theory is correct and relevant.